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# THE BUDGET PROCEDURE OF ENGLISH AND FRENCH CITIES

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The most vital facts concerning municipal budgetary procedure in England and France are the methodical manner in which these instruments are drawn up and voted upon, the careful balancing of proposed expenditures and estimated receipts, the rigid distinction drawn between capital and revenue accounts, and the earnest desire everywhere apparent to get a dollar's worth for every dollar spent.

While any comparison with similar conditions in America is discouraging, there is no doubt that two factors should receive some notice. The mere momentum of precedent and of long established custom has a steadying influence, while the more or less static conditions attending development in the older countries would have caused extravagant expenditure to be keenly felt. On the other hand our large areas of unsettled or sparsely settled territory, much of it rich in material resources, combined with a steady stream of mature, hard-working immigrants, all possessed with ambition for economic independence, have produced conditions so dynamic as to constantly react on the older portions of our country and to permit of only a qualified comparison with Europe.

But with the passing of the period of settlement and abnormal expansion, American cities, too, have felt the economic necessity of "counting their pennies," and serious attempts at municipal reform have followed rapidly. Of the varied experiments in city government of the closing decade, the fundamental element has been the determined attitude of the average elector, largely, no doubt, because his "pocket nerve" has been touched. Once possessed of an awakened citizenship, the specific system used to attain the end is of minor importance.

The city of Philadelphia, under a recent administration, repeatedly used the proceeds of thirty-year bonds to meet large deficits in current expenses. Even a cursory acquaintance with

the financial reports of their municipalities lets one feel that such a thing in England or France would be unthinkable. On the other hand, under the caption of "Refuse Disposal," Birmingham lists fifteen items for the past year. One or two may be of interest. The sale of old ash-pans brought in £233 and scrap iron realized £1,163.<sup>1</sup>

In the methods of financial control the English and the French city are in marked contrast, due largely to difference in political temperament. The English municipality is practically autonomous, and even the small measure of control exercised by the central authorities, the Local Government Board and the National Exchequer, are conceded grudgingly. The right of local self-government has become traditional and any contemplated extensions of central authority are viewed with suspicion and hostility.

In France, on the other hand, a large measure of local control has been sacrificed to the efficiency of centralized authority. The French municipality is largely a cog in a wheel, a unit in a graduated hierarchy leading directly to the Minister of the Interior, representing the President of the Republic. French municipal law is almost wholly comprehended in the code of April 5, 1884. This is a blanket grant of powers, extending to all cities alike. French cities may do anything not forbidden in its provisions, and for which they can obtain administrative approval.

English cities, however, may exercise only those powers expressly granted by Parliament. As a result they are constantly petitioning for special acts granting additional powers. Hence English municipal law is an indeterminate affair, a growth somewhat analogous to the English constitution itself.

For instance, the Birmingham Council, in its instructions to its Finance Committee, bases its authority upon seven general municipal acts, twelve special acts, "and so much of any other existing act of Parliament as relates to any of the said matters."<sup>2</sup> The English mayor is a figurehead and power is almost wholly centred in the Town Council. The latter does the bulk of its work through committees, of which Birmingham happens to have twenty-one.

Of these the most important is the Finance Committee. All other committees must run the gauntlet of its survey as regards

<sup>1</sup> *Financial Statement*, City of Birmingham, 1914-15, Estimates section, p. 40.

<sup>2</sup> City of Birmingham, *Municipal Diary*, 1914-15, p. 115.

the financial aspects of their activities, and the Finance Committee in turn is held to strict account for the finances of all committees, including its own. Through the Finance Committee must be made all warrants for payment of authorized appropriations. Upon it devolves the negotiation of all loans; the investing of sinking funds; the preparation of the annual Financial Statement submitted to Council; and the management of tax collections. It must permit no payments on revenues accounts to be transferred to capital account, except by its own approval. It has general charge of the Accounts and Financial Departments of the city. Most important of all, it acts as a Consultative Committee on Rate Estimates, considering with each of the other committees<sup>3</sup> (excepting those in charge of the public utilities) their financial needs for the coming year, and revising their estimates, if necessary, in the light of the expenditures as a whole. It then presents the revised estimates to Council together with the precept (tax-rate) considered necessary to meet such a budget. It must consider especially, any committee proposals which involve excess expenditure for new loans and report to Council upon the financial aspect of such proposal concurrently with such committee.

In the general instructions to all committees, there are similar provisions regarding their relations to the Finance Committee, thereby clinching the supervisory powers of the latter committee.<sup>4</sup>

Thus, upon the Finance Committee devolves the budget in its three phases of preparation, execution, and audit in a general way. Though the Finance Committee presents the estimates to the Council, the several committees of the Council are responsible for the expenditure with regard to the purposes entrusted to them, and it is expected that they will use every endeavor to keep the expenditure under each head of account within the amount voted by the Council.

### *The Budgets in French Cities*

In the French city<sup>5</sup> it devolves upon the Mayor to prepare the budget and have it ready for Council's consideration in the May

<sup>3</sup> City of Birmingham, *Municipal Diary*, 1914-15, pp. 110-11-13-15.

<sup>4</sup> *Ibid.*, pp. 147-48.

<sup>5</sup> A large part of the material regarding French procedure has been drawn from Maurice Block, *Dict. de Administration Française*.

meeting. This is known as the original budget and is succeeded toward the close of the year by a supplementary budget.

The budget is divided into receipts and expenditures. The former is subdivided into receipts ordinary and receipts extraordinary. In other words, those that are stable and permanent and those which are irregular and occasional in their nature. The expenditures are subdivided into optional and obligatory. The former vest in the discretion of the local authorities: in the Mayor, if he can persuade Council to authorize his views.

The obligatory expenditures must be provided for, and provided, too, out of established income. They include, in general, such items as the maintenance of municipal property, the preservation of municipal archives, the salary of the city treasurer, the maintenance of the police force, the pensions of local officials, education, repair of local highways, etc. The Code of 1884 contains a provision making the maintenance of the personnel of the police in cities whose population exceeds 40,000 an absolutely obligatory item. The Code of 1884 lists over twenty such items. If they are not adequately provided for, the higher authorities will make forcible provision by a procedure known as *inscription d'office*, or official entry upon the budget. Cities whose annual receipts are below three million francs must submit their budgets to the prefect of their department (France is divided into 86 departments or provinces); those whose revenue is above this sum are subject to the Ministry of the Interior, representing the President of the Republic. If the Mayor and Council should prove obstinate in the matter of obligatory expenditures, the central authorities have power to suspend them from office. Once the French municipal budget is finally approved, it cannot be altered in the slightest degree.

The additional credits found necessary since the opening of the year, together with any new developments in the way of income, are incorporated in the supplementary budget. This, too, is drawn up by the Mayor and is considered by the Council at the May session of the year to which it applies, that is, a year after the budget whose transactions it completes. It is authorized in the same manner as the latter.

In addition to the supplementary budget, the Mayor draws up an administrative account extending from January 1 to March

31, that is, including the three complementary months during which settlement may go on. This statement shows actual receipts and expenditures to date. A similar report is prepared by the city treasurer and also an account showing the amounts of regular receipts and expenditures not yet collected or not yet paid out.

With these documents at hand, the Council proceeds to consider the supplementary budget, inserting as the first item the surplus or deficit which may appear from a comparison of the Mayor's report and that of the treasurer. Then come the regular receipts and expenditures not yet completed, as they appear in the treasurer's statement. They are followed by the extraordinary receipts <sup>6</sup> and expenditures, and under the latter division the Mayor can insert, to the extent of the available balance, those unforeseen expenditures which appear in his report.

If a supplementary budget faces an inevitable deficit, a new source of income must be provided for immediately to cover the same. The supplementary budget differs from the original in that the obligatory expenses have already been met. As Professor Fairlie has pointed out, these form the greater part of the original budget, thereby greatly reducing the discretionary power of the mayor.<sup>7</sup> If the contemplated expenditures seem to the higher authorities to be unwarranted, they may be rejected or reduced by a decree of the President or by a resolution of the prefect in charge of the department; but such authorities are not permitted to increase expenditures or to introduce new ones, except in so far as the same may be obligatory.

### *Fixing the Rate in English Cities*

English cities, as a rule, are large property-holders and derive regular incomes from long-term leases. In addition, they receive substantial amounts from the management of their own public utility undertakings.

Birmingham <sup>8</sup> during the past year received a total of 145,162 pounds from utilities, in a total expenditure of 4,903,408. Leeds <sup>9</sup> received a total of 80,000 pounds toward a total expenditure of

<sup>6</sup> The proceeds of a special tax for the purpose of building a school-house or some municipal building would be classed as extraordinary income.

<sup>7</sup> National Municipal League, *Proceedings*, 1901, pp. 282-301.

<sup>8</sup> Birmingham, *Financial Statement*, 1914-15, p. iv.

<sup>9</sup> City of Leeds, *Annual Accounts*, p. xv.

868,257, while Manchester<sup>10</sup> received 100,000 pounds from its tramways alone during the present year.

The estimated needs for the coming year are drawn up. Then all income from property owned, profits from municipal undertakings and any other sources are estimated. The difference is the deficit to be met by taxation. The necessary "precept" or rate is calculated and recommended to Council by the Finance Committee. The chairman of the latter in submitting the estimates to Council usually draws attention to the past year's results, especially to those of committees which have either greatly exceeded their estimates or those who have worked below them.

The manner of levying the precept differs in different cities. Leeds has a city rate, a consolidated rate, and a highway rate levied by town council. In addition there is a poor rate levied by the Overseers of the Poor, but all are collected in one.

Birmingham levies but one, the borough rate, which covers the whole expenditure of the corporation which can be charged on the rate. The Overseers are by precept required to levy a rate necessary to produce the amount required. Of course, here as in Leeds, there is an additional poor rate to meet expenditure on Poor Law proper. These two purposes, together with the necessary expense of collecting, form the whole of the charges made in Birmingham. The two, when levied, are technically called the poor rate. The Overseers collect the rate half-yearly and pay over the councils precept by installments as the money comes in.

#### *Audit in French and English Cities*

The system of audit in English cities is very unsatisfactory. There are three auditors, of whom two are elective, and the third, known as the Mayor's auditor, is a councillor appointed by the Mayor. They all act independently of each other. They are supposed to serve without pay, and most of them do, and they generally perform their task in a hasty and perfunctory manner. It is rarely that a trained accountant occupies the position. Many cities of late years have made a practice of employing professional accountants, and have adopted provisions to this effect in their by-laws. This professional auditing is in addition to that done by the usual method, as the latter is not taken seriously in large cities.

<sup>10</sup> City of Manchester, *Estimates*, 1916, p. xvii.

In pursuance of the Education Act of 1902, the educational expenditures of the cities are subject to audit by representatives of the central authorities, and a goodly number of the small cities have preferred to have all the rest of their accounts audited in the same way, paying, of course, for the additional service. This practice is looked upon with much approval by the central authorities, as tending toward a needed increase of centralization, without arousing the hostility which such attempts usually precipitate. In fact, several cities such as Folkstone and Bournemouth have agreed to such a provision as the price of getting from Parliament the kind of a charter they wanted.

In France, on the other hand, we have a great national institution called the National Court of Accounts, a department under whose survey and audit must pass the whole of the accounts of national revenue and expenditure of the departments (provinces) and of all towns, districts and public institutions whose revenues annually exceed 30,000 francs. If a town's revenues fall below this limit all accounts must be sent to the Prefectoral Council for audit. In either case they are subject to a corps of trained experts maintained by the central authorities.